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CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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1. British oppose Japanese negotiating treaty with Nationalist China:



The British Mission Chief in Tokyo has asked the US Political Adviser for information on Japanese intentions regarding a bilateral treaty of peace with the Chinese Nationalist Government. The

official stated that the British Foreign Office construes its pre-San Francisco understanding with Ambassador Dulles to mean that Japan would not make a choice regarding China until the multilateral treaty comes into effect, and that if any negotiations were held prior to the return of full sovereignty to Japan, it would be considered a breach of the spirit if not the letter of this understanding.


Comment: The US construes the Dulles-Morrison understanding regarding Chinese non-participation in the San Francisco conference as preventing the US from encouraging the Japanese to negotiate an unrestricted agreement with the Chinese Nationalists while the occupation continues. In response to inquiries from the Nationalist Government, the US pointed out that should the Nationalists wish to proceed with negotiations prior to the end of the occupation, the US can give encouragement only if the projected treaty's provisions apply solely to the people and territory now controlled by the Nationalist Government.


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2. Most Manchurian railways reported closed to commercial traffic:

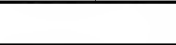


The pressure of military traffic in Manchuria has caused Peiping authorities to suspend for an indefinite period all passenger and commercial freight service on most of the Manchurian rail-

way net as well as on Manchuria's only rail link with China proper, the Peiping-Mukden line, 

Comment: The Peiping Railway Bureau last week reportedly requisitioned for military use all freight cars in the Peiping-Tientsin area. 

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 the last similar diversion of rail traffic to military use was in the period from September to November 1950, when the Chinese intervened in Korea.

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Interruptions to rail traffic caused by floods in the Mukden area during late August and September may be a contributing factor to the necessity for suspending traffic in North China and Manchuria.

NEAR EAST

25X1A 3. Iranian Shah gloomy over situation:

[REDACTED] In an interview with the British Ambassador, the Shah was very pessimistic over the future of Iran under Prime Minister Mossadeq, and said that the removal of the prime minister would be most difficult. The Shah stated that Mossadeq desires to resume negotiations and inquired what steps the British considered necessary.

The British Ambassador replied that his government would require "written assurances that the Iranian Government was ready to negotiate seriously in a spirit of goodwill." Oral assurances by the Shah were not considered sufficient.

Comment: The Shah has played no part in the oil negotiations to date. He has lost considerable prestige and does not exert any discernible influence on Mossadeq.

While Mossadeq is aware of the increasing economic and political pressures which are building up against him, and even though he desires to reopen negotiations, there is no indication that he is ready to make any significant change in his position.

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4. British-Iranian situation produces new incidents:

[REDACTED] Five British-owned tugs have been removed from Iranian territorial waters under escort of a British destroyer, according to the US

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Embassy in Tehran. Two floating repair docks probably will be similarly removed. British technicians continue to leave Abadan, and the British apparently recognize that they will be unwelcome in Iran regardless of the government in power.

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Comment: The removal of the tugs has already brought Iranian charges of theft of National Iranian Oil Company property and will further convince them of British "duplicity." The actions of both sides indicate an increasingly uncompromising position.

WESTERN EUROPE

25X1A^{5.} Allies defer decision on semi-heavy arms for West German police forces:

The three-power Special Security Committee has authorized the West German Federal Republic to arm both border and mobile police with normal police weapons. The Germans have requested semi-heavy arms, but the Committee deferred its decision on this point. The British are willing to authorize normal infantry weapons for the border police, and the French representative indicated partial agreement.

The determining factor will be a definition of the role the border police is to perform. The British expect it to take the first shock of any aggression from the east, but both the French and US representatives were obliged to request governmental instructions on the question.

Comment: Semi-heavy arms had been agreed to for the mobile police force authorized a year ago. Since the Germans had difficulty organizing this group, which is not expected to exceed 5,000 men by the end of 1951, they have developed the border police, now consisting of about 10,000 men. The French had blocked the Germans' request for semi-

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heavy equipment in April, 1951, and also secured British agreement to oppose manufacture of these arms in Germany. The French will probably agree, however, to arming the border police with medium mortars and antitank weapons, and can be expected to permit a reserve of such arms for the mobile police.

25X1A 6. French Socialists refuse to renew electoral alliances with coalition parties:

The French Socialist Party's National Council has issued a belligerent resolution seemingly ruling out alliances with any other party in the October cantonal elections. Furthermore, the

keynote address at the council meeting proclaimed the Socialists' refusal to participate in the government unless the new church-school laws are repealed. A Socialist spokesman has revealed, however, that the fight against the center parties would be subordinated to the battle against the Communists and the Gaullists, and the Socialists will not actively promote the downfall of the present cabinet.

Comment: The forcefulness of the Socialists' campaign against aid for church schools is enhanced by the proximity of the cantonal elections. In the face of sharp Communist competition for the labor vote and Radical Socialist competition in some areas for the anti-clerical vote, the Socialists are making a determined fight to retain their strong position in the departmental councils, where they now have 25 percent of the seats to be filled in October. The current Socialist policy of opposing the government on certain vital issues is a continuous threat to its existence, but can be expected to stop short of precipitating De Gaulle's return to power.

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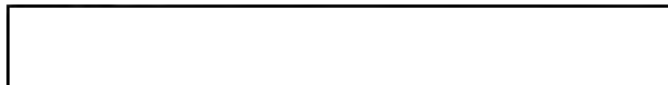
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defense of the Western Hemisphere and for Unified Command service pursuant to the UN "Uniting for Peace" resolution. Further, the cabinet approved the "organizing, equipping, and training of a regimental combat team of ground troops for UN service." A letter to this effect is being forwarded to the UN Secretary-General.

Comment: The Uruguayan Constitution requires that Congress approve the departure of national forces from the Republic. Columbia is thus far the only Latin American country to have supplied troops to the UN.

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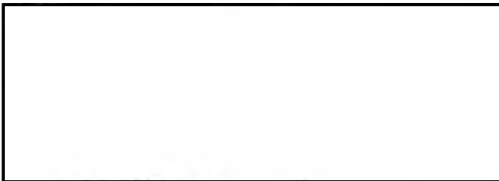


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LATIN AMERICA

9. US and Chilean officials discuss disposition of Chile's 20 percent copper quota:

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The Minister of Economy advised a US Embassy official that Chile would have difficulty in disposing of its 20 percent share of Chilean copper output at a price exceeding 27.5 cents per pound without making sales to questionable brokers. Shortly after this conversation, orders were issued to stop a thousand ton shipment to Holland.

President Gonzalez Videla stated to the US Ambassador on 18 September that he was emphatically against leaks of copper ore, but he reiterated the Chilean stand "regarding desperate need for dollars and cashing maximum from the 20 percent quota." The President suggested that US and Chilean missions in Europe should work closely to check on all doubtful consignees. The US Embassy comments that "this is encouraging since the Ministry of Economy has been pressuring Anaconda to speed shipments to questionable consignees."

Comment: The price of 27.5 cents per pound was established in the recent US-Chilean copper agreement which allotted 80 percent of the output to be sold through the US firms. Other information indicates that Chilean Government measures to prevent transshipment of copper to the Soviet bloc are not entirely satisfactory.

The Minister's statement and Chile's expressed preoccupation over its dollar position may be in part calculated to justify eventually an increase in the price of copper.

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10. Uruguayan cabinet favors an offer of two destroyer escorts and a regimental combat team for UN service:

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The cabinet on 19 September unanimously approved the offering of two destroyer escorts -- about to be purchased from the US -- for the common

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